|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Name \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | |  |  | | --- | --- | |  | http://www.moneyinstructor.com/images/moninstitle2w.GIF | | Date \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

**Introduction to Earning Interest**

|  |  |  |
| --- | --- | --- |
| Saving money at a bank or other institution that takes deposits allows you to store your money with someone else.  The money that you earn for doing this is called Interest.  Interest is a percentage of the amount you have on deposit that you get on an annual, monthly or quarterly basis, as a payment for allowing them to hold your money, and use it to lend to others.  The more money you deposit, and the longer you keep the money deposited, the more interest you will earn, and the larger your account balance will grow. |  | http://www.moneyinstructor.com/images/bank_book.jpg |

Elijah's bank pays 4% a year interest on the previous year's balance.  For the first year, Elijah had $4,000.00 on deposit at the bank.  If each year Elijah does not withdraw any money, finish filling in the following to see how much money Elijah will end up with after 8 years.  Multiply each year's beginning balance by the interest rate and then calculate the new total balance.  Round each calculation to the nearest penny.

|  |  |  |  |
| --- | --- | --- | --- |
|  | Beginning Balance | $4,000.00 |  |
|  | Interest earned in Year 1 | $160.00 |  |
|  | **TOTAL** | $4,160.00 |  |
|  | Interest earned in Year 2 | $ 166.40 |  |
|  | **TOTAL** | **$ 4,326.40** |  |
|  | Interest earned in Year 3 | $ 173.01 |  |
|  | **TOTAL** | **$ 4,499.41** |  |
|  | Interest earned in Year 4 | $ 179.98 |  |
|  | **TOTAL** | **$ 4,679.39** |  |
|  | Interest earned in Year 5 | $ 187.18 |  |
|  | **TOTAL** | **$ 4,866.57** |  |
|  | Interest earned in Year 6 | $ 194.66 |  |
|  | **TOTAL** | **$ 5,061.23** |  |
|  | Interest earned in Year 7 | $ 202.45 |  |
|  | **TOTAL** | **$ 5,263.68** |  |
|  | Interest earned in Year 8 | $ 210.55 |  |
|  | **TOTAL** | **$ 5,474.23** |  |
|  |  |  |  |

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| --- |
| What was the total interest earned in 8 years? $ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |